

PART 1
THE COMPANY'S BUSINESS**1. Policy and Overview of the Company's business**

KGI Securities (Thailand) Public Company Limited (“the Company”) was incorporated as a public limited company under the Public Limited Companies Act and domiciled in Thailand. It has been operating securities businesses and licensed and approved by the Office of the Securities and Exchange Commission (“SEC”) to operate the following businesses;

- (a) Securities brokerage
- (b) Securities dealing
- (c) Investment advisory
- (d) Securities underwriting
- (e) Securities borrowing and lending
- (f) Securities registrar
- (g) Derivatives brokerage
- (h) Financial advisory
- (i) Over-the-Counter (OTC) derivative business and
- (j) Sales agent in investment units of mutual funds in the areas as specified by the SEC.

The Company's major shareholder is KGI Asia (Holdings) Pte. Ltd., which holds shares 34.97% of total issued shares. KGI Asia (Holdings) Pte. Ltd. is an investment holding company incorporated under the laws of Singapore. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan. In addition, the Company has investments in 3 subsidiaries, as described in section 1.3 of this form 56-1.

The Company's head office is located on the 8th - 11th floors of Asia Centre Building, No. 173 South Sathorn Road, Thungmahamek Sub-district, Sathorn District, Bangkok 10120. As at 31st December 2017, the Company has altogether 17 branches, in Bangkok and other provinces.

Bangkok	Provincial	
1) Pin Klao Branch	1) Hat Yai Branch	7) Chiang Rai Branch
2) Changwattana Branch	2) Nakhon Ratchasima Branch	8) Phetchaburi Branch
3) Thaniya Branch	3) Samut Sakhon Branch	9) Udon Thani Branch
4) Silom Complex Branch	4) Suphan Buri Branch	10) Nakhon Pathom 2 Branch
5) Pracha Chuen Branch	5) Nakhon Sawan Branch	11) Udon Thani Cyber Branch
	6) Nakhon Pathom 1 Branch	12) Chiang Mai

The Company is recognized as one of the leaders in innovation in the development of financial products, giving more alternatives to clients. The Company's achievements were as follows:

- The first securities company to act as a principal and agent of SBL services
- The first securities company to provide OTC Derivatives services
- The first and only securities company to act as Market Maker and Participating Dealer of ThaiDEX SET50 ETF (TDEX), Thailand's first Equity ETF
- The first securities company to launch Derivative Warrant in Thailand
- The first securities company to provide Private Repo

1.1 Policy of the Company's business**Vision**

All the actions of the Company are rooted in the principles of integrity and honesty, which are the guiding principles of our professional workforce. Providing the very best in financial management and advice is the Company's vocation and duty. At the same time, as a responsible corporate citizen, the Company has made it a policy to share the fruits of its success with all of its employees, shareholders and clients, while also making substantial contributions to society.

Objective

The objective of the Company is to engage in securities and other financial businesses, and to offer the highest level of service to its clients and to effectively advise and assist in managing clients' assets whilst always acting in an ethical and positive way.

Goal

The company's goal is to offer a full range of financial services and to be a leader in innovation and in new product development. The Company also aims to diversify its income in order to provide earnings stability and to operate successfully under all conditions.

Strategy

- To expand and diversify its client base, both local and foreign;
- To develop new and innovative products and financial services covering the full range of client needs;
- To train and educate the Company's employees and clients about all new products.;
- To deliver excellent service and to build strong relationships between employees and clients;
- To constantly adapt to changing markets and conditions.

ACCOLADES

2560 / 2017	SET AWARD , Best Derivatives House Award TFEX BEST AWARDS , TFEX Most Active House, TFEX Most Active Agent, Market Maker Best Performance for equity futures and Most Active Prop-Trading of the Year (2 nd place)
2559 / 2016	THAI BMA AWARDS , Best Bond Securities Firm SET AWARD , Best Derivatives House Award
2558 / 2015	THAI BMA AWARDS , Best Bond Securities Firm TFEX BEST AWARDS , TFEX Most Active House and Prop-Trading of the Year (1 st place) and Agent of the Year (1 st place) SET AWARD , Outstanding Derivatives House
2557 / 2014	THAI BMA AWARDS , Best Bond Securities Firm TFEX BEST AWARDS , Most Active House and Prop-Trading of the Year (1 st place) and Market Maker Best Performance for Equity Product SET AWARD , Outstanding Derivatives House
2556 / 2013	THAI BMA AWARDS , Best Bond Securities Firm TFEX BEST AWARDS , Most Active House and Prop-Trading of the Year (1 st place) and Market Maker Best Performance for Equity Product and Agent of the Year (3 rd place)
2555 / 2012	THAI BMA AWARDS , Best Bond Securities Firm TFEX PROP-TRADING CHAMPION , Most Growth Champion
2554 / 2011	TFEX PROP-TRADING CHAMPION , Most Growth Trader and TFEX Best Trader
2553 / 2010	THAI BMA AWARDS , Best Bond Securities Firm TFEX BEST AWARDS , Most Active House
2552 / 2009	THAI BMA AWARDS , Best Bond Securities Firm SET CONGRATULATIONS , The Company became the first securities company in Thailand to launch Derivative Warrants
2550 / 2007	THAI BMA AWARDS , Best Bond Securities Firm
2549 / 2006	THE ASSET BENCHMARK SURVEY , Best Corporate Bond House (Thailand Baht) TFEX BEST AWARDS , Best House of the Year and Most Active House
2548 / 2005	SET AWARD , MAI Newly Listed STAR (Financial Advisor)

1.2 Significant Development

The Company was found as the name of “The Goldhill Securities Company Limited” on 7th March 1975 with register no. 212/1975 and had three licenses; securities broker, securities dealer, and investment advisory.

In 1986, Thai Farmers Bank Public Company Limited, Finance One Public Company Limited, and a group of major shareholders of Finance One Public Company Limited acquired Goldhill Securities Company Limited and changed its name to “Securities One Company Limited.” on 15th February 1988. It became a publicly listed company on the SET on 15th December 1989.

The Company registered as a public company with registered number 0107536000293 (formerly number Bor Mor Jor 103) and changed its name to “Securities One Public Company Limited.” on 6th May 1993.

In 1998, KGI Group became the major shareholder of the Company and changed its name to “KGI Securities One Public Company Limited” on 12th July 1999. Subsequently, the Company changed its name to “KGI Securities (Thailand) Public Company Limited” on 25th May 2001.

In 2012, SEC granted China Development Financial Holding Corporation (“CDFH”), a financial holding company in Taiwan, approval for a waiver to make the mandatory tender offer when it purchased KGI Securities Co. Ltd. (“KGI Taiwan”). KGI Taiwan is the direct major shareholder of Richpoint Company Limited (“Richpoint”), which was then the direct major shareholder of the Company, owning approximately 34.97% of the Company’s shares.

In 2015, as part of the KGI group’s shareholding restructure, Richpoint transferred its entire shareholding in the Company to KGI Asia (Holdings) Pte. Ltd., a company incorporated under the laws of Singapore in which KGI Taiwan indirectly owns its entire equity interest. After the restructure, the direct major shareholder of the Company was changed from Richpoint to KGI Asia (Holdings) Pte. Ltd. Such change will not affect the management and control of the Company.

Significant Developments in 2017

April 2017	The Annual General Meeting of Shareholders of the Company No. 1/2017 approved the increase in the maximum amount of Bonds and/or Structured Notes which can be issued by the Company from not more than Baht 1,000 million to not more than Baht 4,000 million.
June 2017	TRIS Rating affirmed the company rating of the Company at “A-”. The rating reflects improvement in the stability of the Company’s business and its diversification efforts. In addition, the rating reflects the explicit business support the Company receives from its major shareholder in Taiwan, KGI Securities Co., Ltd. (KGI Group). These strengths helped the Company earn its reputation as a leading creator of innovative products.
August 2017	The Company approved the appointment of Ms. Suchada Sodthibhaphkul as the Executive Director of the Company for the fourth year for the period November 2017 - October 2018. Ms. Suchada Sodthibhaphkul is responsible for managing the Risk function of the Company, including being responsible for and approving all risk matters and will also be a member of the Risk Management Committee and all its sub-committees as well as the Debt Recovery Committee and the Human Resource Committee.
November 2017	The Company apply for ISO/IEC 27001:2013 for BAHTNET System. The ISO/IEC 27001:2013 is an information security management standard (new version year 2013))
January 2018	The Extraordinary General Meeting of Shareholders of the Company No. 1/2018 has approved an increase of the maximum outstanding issue size of all Derivative Warrants (“DWs”) issued by the Company, at any time, from “not exceeding Baht 2,000 million” to “not exceeding Baht 5,000 million”, be approved. Details as follows:

- a) an immediate increase of the maximum outstanding issue size of all DWs" issued by the Company, at any time, from "not exceeding Baht 2,000 million" to "not exceeding Baht 3,000 million"; and
- b) to authorize the Board of Directors to consider and approve, in future, up to the limit of Baht 5,000 million, further increases of the maximum outstanding issue size of all DWs issued by the Company, at any time.

1.3 The Company's Shareholding Structure

(1) Policy for group operations

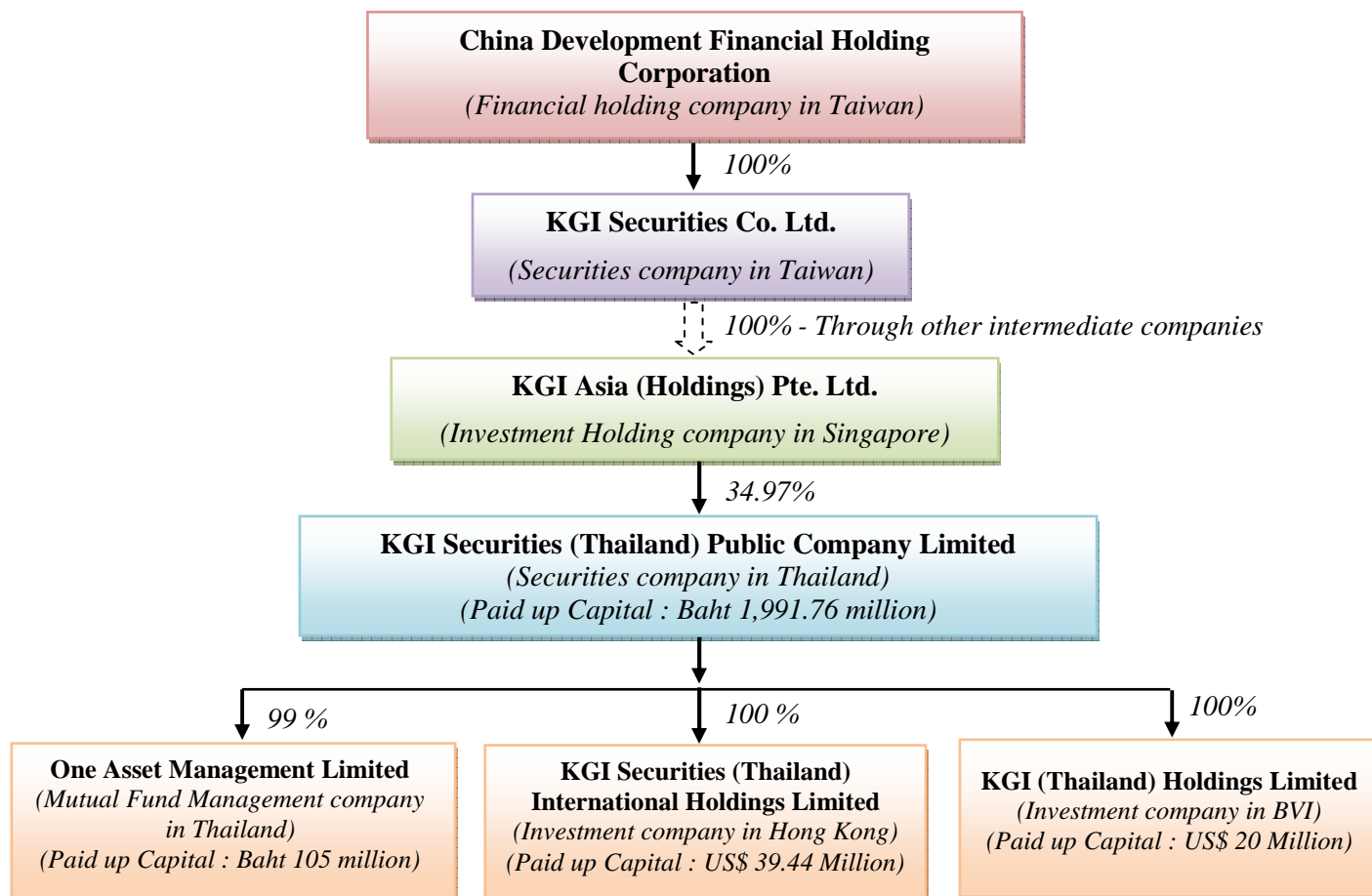
The Company and its subsidiaries have hired professional managers and the Company also appointed persons to be directors for setting policies of its subsidiaries to ensure the implementation of the various group companies effectively.

(2) Shareholding Structure of the Group

The Company's major shareholder is KGI Asia (Holdings) Pte. Ltd., which holds shares 34.97% of total issued shares. KGI Asia (Holdings) Pte. Ltd. is an investment holding company incorporated under the laws of Singapore. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan.

In addition, the Company has investments in 3 subsidiaries, One Asset Management Limited ("ONEAM"), which is one of the leaders in Thailand's asset management market. And two offshore subsidiaries, which are KGI Securities (Thailand) International Holdings Limited ("HOLDCO") and KGI (Thailand) Holdings Limited ("KTHL"). The purpose of these offshore subsidiaries is to explore opportunities to invest overseas in future. The shareholding structure of the group are as follows:

Shareholding Structure of KGI Securities (Thailand) Public Company Limited



In 2017, the Company's total revenues of Baht 3,058 million, of which contribution from ONEAM accounted for 18.51%. The information of the Company's subsidiaries are as follows:

Subsidiaries As at 31 st December 2017	Country of Incorporation	Business Type	% holding	Revenues as a percentage to the consolidated totals (%)
One Asset Management Limited ("ONEAM")	Thailand	Fund Management	99	18.51%
KGI Securities (Thailand) International Holdings Limited ("HOLDCO")	Hong Kong	Investment	100	-
KGI (Thailand) Holdings Limited ("KTHL")	British Virgin Islands	Investment	100	-

The Company's subsidiaries information

A. One Asset Management Limited ("ONEAM")

One Asset Management Limited ("ONEAM") was established as limited company on 19th March 1992, with registered capital of Baht 100 million (fully paid-up). As at 31st December 2017, ONEAM has its registered capital of Baht 105 million (fully paid-up) with KGI Securities (Thailand) Public Company Limited holding 99.15%, ONEAM's directors and employees holding 0.85% of outstanding shares. ONEAM's office is located at No. 989, the 9th and 24th floors of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok 10330, Thailand. (ONEAM registered the changed of its Thai name with Ministry of Commerce, to be "One Asset Management Limited" on 27th April 2017)

ONEAM has been granted licenses to operate the following business:

1. Mutual Fund Management;
2. Private Fund Management;
3. Securities Brokerage, Trading and underwriting : Investment Units;
4. Investment Advisory Services;
5. Derivative Fund Manager;
6. Trustee of Real Estate Investment Trust ("REIT");
7. Trust Manager of Real Estate Investment Trust ("REIT");

The mutual funds under ONEAM

- | | |
|-----------------------------------|---|
| 1. Equity Fund | 9. Sector Fund |
| 2. Fixed Income Fund | 10. Foreign Investment Fund |
| 3. Mixed Fund | 11. Property Fund |
| 4. Money Market Fund | 12. Country Fund |
| 5. Retirement Mutual Fund ("RMF") | 13. Feeder Fund |
| 6. Long Term Equity Fund ("LTF") | 14. Alternative Fund |
| 7. Fund of Funds | 15. Real Estate Investment Trust ("REIT") |
| 8. Exchange Trade Fund ("ETF") | |

B. KGI Securities (Thailand) International Holdings Limited ("HOLDCO")

Formerly known as "KGI Securities One International Holdings Limited", it is a wholly owned offshore subsidiary established in Hong Kong. Its name was changed to "KGI Securities (Thailand) International Holdings Limited ("HOLDCO")" on 7th December, 2001. The purpose of the subsidiary is to explore for opportunities to invest overseas in future.

C. KGI (Thailand) Holdings Limited ("KTHL")

KGI (Thailand) Holdings Limited ("KTHL"), is a wholly owned offshore subsidiary established in British Virgin Islands. The purpose of the subsidiary is to explore for opportunities to invest overseas in future.

1.4 Relationship with a business group of major shareholder

China Development Financial Holding Corporation (“CDFH”), a financial holding company in Taiwan, was established in 2001. CDFH has 3 key subsidiaries, 1) China Development Industrial Bank (“CDIB”), 2) KGI Bank and 3) KGI Securities Co. Ltd (“KGI Taiwan”). CDFH holds a leading position in the venture capital market and investment banking business in Taiwan.

KGI Taiwan, a wholly-owned subsidiaries of CDFH, is a securities company that is a market leader in a range of areas including brokerage, proprietary trading, underwriting, fixed income, and a variety of derivatives product.

KGI Taiwan has provided valuable assistance to the Company via transfer of knowledge and technology, and has sent expert staff to train the Company’s employees for the launch of new products. The Company is recognized as one of the leaders in innovation in the development of derivatives products in Thailand.

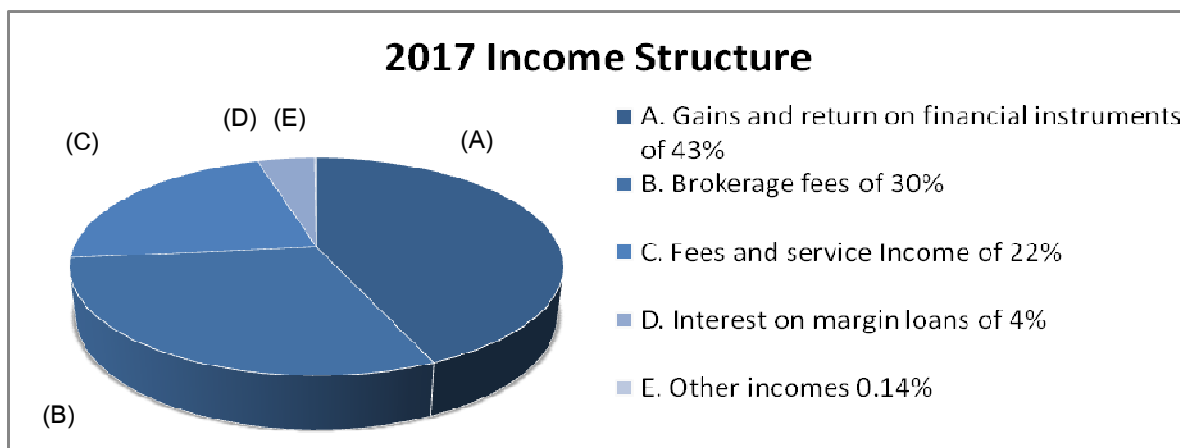
There are 4 representative directors from major shareholder, which is equivalent to 1/3 of all directors and proper with the portion of share holding. The Company also appointed 4 independent directors which is equivalents to one-third of all directors, following the SEC’s regulations to ensure the operations of the company meet the standards and move in the right direction and to protect the shareholders’ rights and for the best interest of all shareholders.

2. Business Lines

Income Structure

The majority of the operations of the Company and its subsidiaries involve the single business segment of securities related business, including mutual fund management, and are carried on in Thailand. (see Note of financial Statements no. 37 : Segment Information)

In 2017, the Company reported consolidated revenues of Baht 3,058 million, decreased from Baht 3,246 million in 2016, representing a 6 percent decreasing. In 2017, the majority of the Company’s income came from Gains and return on financial instruments of 43%, Brokerage fees of 30%, Fees and service Income of 22%, Interest on margin loans of 4%, the other incomes of 0.14%.



Comparative Revenues Structure for the past 3 years

Revenues Structure	Operated by	% Shareholding Company	2017 (Baht million)	%	2016 (Baht million)	%	2015 (Baht million)	%
1. Brokerage fees	The Company	-	917.04	29.99%	1,045.94	32.22%	906.01	36.50%
2. Fees and service income/1	The Company	-	111.50	3.65%	131.10	4.04%	133.20	5.37%
Fees and service income/1	ONEAM/2	99%	560.70	18.33%	538.35	16.59%	483.68	19.49%
3. Interest on margin loans	The Company	-	136.71	4.47%	99.41	3.06%	100.26	4.04%
4. Gains and return on financial instruments	The Company	-	1,323.32	43.27%	1,419.83	43.74%	833.28	33.57%
Gains and return on financial instruments	ONEAM/2	99%	4.58	0.15%	4.93	0.15%	4.80	0.19%
5. Other incomes	The Company	-	3.56	0.11%	5.81	0.18%	17.83	0.72%
Other incomes	ONEAM/2	99%	0.87	0.03%	0.49	0.02%	2.89	0.12%
Total Revenues			3,058.27	100.00%	3,245.86	100.00%	2,481.95	100.00%

Note /1 See note of financial statements No. 27 : Fees and Service Income.

/2 ONEAM : One Asset Management Limited, 99% owned by the Company.

2.1 Types of Business

2.1.1 Securities Broker Business

The Company, a member of the Stock Exchange of Thailand (SET Broker No. 13), provides broking services to both local and foreign investors and to both individual and institutional investors. The Company's research department produces highly respected institutional level research and analysis of Thailand's financial markets and economy. As one of Thailand's top securities houses, the research team gains considerable insight from market flow and local color to help analyze trends and market movements, providing a considerable competitive advantage for investors to make timely and accurate investment decisions. In 2017, the Company ranked No.13 in terms of brokerage market share with an overall share of 3.27%.

Clients can choose to open 3 types of account; Cash Account, Cash Balance Account, and Credit Balance Account. And clients can also choose 2 trading channel; Trading via Investment Consultants or Trading via internet. The commission for internet trading is lower than commission for Trading via Investment Consultants.

In 2015, the Company has launched "KGI POWER TRADE", a new application for cell phones which the Company has developed for clients. Using the latest technology, KGI POWER TRADE is available on both Android and IOS operating systems (iPhone and iPad). It incorporates a fast, intuitive touch screen and supports multi-market trading of both securities and derivatives.

In 2016, the Company has developed KGI POWER TRADE web-based version in 2016, which is available on both Window and OS X.

Furthermore, in 2017 the Company has developed "KGI POWER TRADE HD" tablet version, which is available on both Android and IOS (iPad).

KGI POWER TRADE highlight features include;

- Auto Trade: Automatically sends order with many kinds of condition
- Ladder Order: Only one click for sending order faster and easier
- Order Folder: Stores expected orders and sends at once
- Scan & Ranking: Scan stock for many conditions
- 1-Min Ticker: Provided 10 ranking stocks which has the most volume or deals in 1 minute
- DW Strategy: Function for Derivative Warrant with strategy to select the best DW
- Options Lotto: Function for Options trading and calculate the best option with right period
- Odd & Big lot: Easier to see real-time odd lot and big lot pricing
- News & Chart: Investment news and real-time technical chart
- Price & Port Alert: Alert message for price and portfolio

Should you have any inquiries or need further information, please visit our website: www.kgiworld.co.th or contact at Hotline: 02 658 8777 or email: ebs@kgi.co.th

2.1.2 Futures Business

The Company has received a license to conduct futures business from Securities and Exchange Commission (SEC) and also an approval to act as a futures broker from Thailand Futures Exchange Plc. (TFEX) and the Thailand Clearing House Co., Ltd. (TCH). Prior the start of Futures trading on 28th April 2006.

Currently, the Company allows clients to trade on the following derivative products:

- SET50 Index Futures
- SET50 Index Options
- Single Stock Futures
- Gold Futures
- Interest Rate Futures
- Currency Futures
- Sector Futures
- RSS3 Futures

Besides Futures retail brokerage, the Company's Proprietary Trading Department also trades futures and acts as a Market Maker of SET50 Index Options, and Gold Futures in Thailand Futures Exchange (TFEX) and Stock Exchange of Thailand. Furthermore, the Company provides Block Trade in Single Stock Futures to facilitate customers.

In 2017, the Company ranked No. 1 in futures trading volume with a market share of 12.12% of the TFEX market. The Company has awards from the Stock Exchange of Thailand (SET) and TFEX as the following:

SET Awards 2017

- Best Derivatives House Award

TFEX Best Awards 2017

- TFEX Most Active House
- TFEX Most Active Agent
- Market Maker Best Performance for equity futures and
- Most Active Prop-Trading of the Year (2nd place)

2.1.3 Securities Trading Business

The Company's proprietary traders have years of experience. Individual traders are encouraged to adopt diverse trading strategies to suit their personal trading styles. However, to guard against misjudgment that could arise from an emphasis in individualism, all proprietary trading is conducted through a highly-efficient trading platform and is monitored by a stringent risk control system. These controls have engendered a strong culture of discipline among the Company's proprietary traders and have eliminated to the highest degree possible, the potential for mistrades.

As at 31st December 2017, the Company's net investments were valued at Baht 8,622 million, an increase of 54% from the previous year, because the Company had increased the size of its trading securities investments due to good market conditions. The Company's investment portfolio are bond, derivatives, futures and option. Selection and investment allocation according to the established policy. The Risk Management Department closely tracks the departments' exposure to control the Company's overall risks.

The Company pays serious attention to conflict of interests, and the misuse of inside information. Securities trader departments have no right to receive information or research that differs from other clients of the Company.

2.1.4 Investment Advisory Business

SEC granted an approval to the Company to operate investment advisory business on 6th January 2004.

2.1.5 Financial advisory and securities underwriting Business

The SEC has granted the Company approval to operate financial advisory business under the scope specified by the SEC which covers the full range of Investment Banking Services, including fund raising, IPOs and secondary market placements, mergers and acquisitions, firm valuations, loan arrangements, debt restructuring and other advisory works. In addition, the Company provides a securities underwriting service to those companies intending to issue securities including debt, equity, and equity-linked products.

In 2017, Thailand's stock index had continued to increase from the end of 2016 at 1,542.94 points to 1,753.71 points at the end of 2017 due to political stability, government spending to invest in mega infrastructure projects, the positive economic figures as well as positive sentiment in global and regional stock markets.

In 2017, there were 46 new listings on the stock exchanges; 22 were listed in the SET and 17 listed in the MAI, 7 were Property Funds and Infrastructure Funds, with total issue size of Baht 106,280 million and Market Capitalization at IPO Price of Baht 426,349 million.

Total Number of all Listed Companies in 2017

Year	Total Number of Listed Companies					Issued Size (Million Baht)	Market Capital at IPO Price (Million Baht)
	SET	MAI	IFF	PFUND/ REIT	Total		
2017	22	17	1	6	46	106,279.61	426,349.09

In 2017, the Company successfully performed lead underwriting and co-underwriting role of debentures. While the Company was appointed as a Financial Advisor and Lead Underwriter of 13 IPOs which are on the preparation process, the Company also acted as co-underwriters of 9 IPOs. Nevertheless, the Company also successfully performed a financial advisory role for fund raising through both debt and equity, for both listed and non-listed companies.

With our group's experienced staff and expertise in financial engineering to structure products that suit our clients' needs and with our regional group network, KGI's investment banking team can provide a full line of products and services in both the domestic and foreign markets.

2.1.6 Securities Registrar Business

The Company received approval to conduct securities registrar business on 14th June 1994, and the Company continues to maintain its securities registrar license in order to support its derivatives products in the future.

2.1.7 Fixed Income Business

The Company is a member of Thai Bond Market Association (ThaiBMA), and provides trading fixed income securities services to the Company's clients. Investors can open an account for fixed income trading together with opening an account for securities trading. The Company has experienced staffs that are proficient in providing services and advice that allow clients to make investment decisions in their best interest. The Company was also the only securities company to be appointed as a bond primary dealer (Outright PD) for both Ministry of Finance and Bank of Thailand.

In 2017, the Company was ranked No. 1 in bond trading among securities dealers and ranked No. 5 in corporate bond trading value among all dealers with a market share of 10.21% in 2017 compared with 12.27% in 2016.

2.1.8 Private Repo Business

The Company pioneered Private Repo to corporate and high net-worth clients, providing a new alternative investment. The Company was the first and the only one to provide Repo agreement in Thai version, approved by SEC, to offer clients with more convenience.

In 2017, the Company was ranked No. 1 in terms of Repo volume among securities firms. Currently, Private Repo market is continuing to grow and the Company intends to maintain its leading position in this sector.

2.1.9 KGI Wealth Management and Sales Agent for mutual funds Business

The Company received approval from SEC to be a Sales Agent in investment units of mutual funds on 16th January 2002. As at 31st December 2017, the Company was appointed as a Sales Agent in investment units of mutual funds by 20 asset management firms. The client coverage includes both institutional and individual investors.

The Company has experienced professionals who provide appropriate financial advice under KGI's Wealth Management operations to High Net Worth clients in order to meet investment objectives and risk appetite for the clients' best interests.

2.1.10 Securities Borrowing and Lending Business ("SBL")

The Company is the first security firm to act as a principal and agent assisting clients who want to lend or borrow securities: 1. Local Institutional Lenders and Borrowers, 2. Foreign Institutional Borrowers, 3. Retail Lenders and Borrowers. This service will help increase liquidity and price stability to the Thai capital market and also support other businesses within the Company.

2.1.11 OTC Derivatives Business

The Company is recognized as one of the leaders in innovation in the development of derivatives products in Thailand. The Company has consistently invested in the pricing and risk management platforms for issuing and trading of derivatives products. The major shareholder, KGI Taiwan, provides support in term of knowledge transfer, international experience, and technology to the Company. The Company's products are as follows:

1. OTC Equity Derivatives

OTC Equity Derivatives products are tailor-made, and designed upon clients' requests. OTC Equity Derivatives are commonly used among local and foreign institutional clients, including Private Funds for the purpose of risk management and leveraging. The Company provides various types of OTC Equity Derivatives, including basic and exotic options; such variety of products will offer high flexibility for clients to create their risk profile to match with their investment objectives.

2. Structured Products

The Company is focusing on developing structured products that combine equity derivatives with money market instruments to serve clients who want to invest in both the equity market and money market. The Company offers structured products exclusively to institutional clients, private funds, and high net worth investors with a good understanding and knowledge of derivatives. The company launched Structured Notes since 2012.

At present, the Company provides various types of SN with a maximum term of 270 days, whose returns are linked to the price of a single or a basket of SET50 listed stocks, SET 50 index, and listed Exchange Traded Fund.

2.1.12 Exchange Traded Fund ("ETF")

The Company joined a group led by One Asset Management Limited (the Company's subsidiary) and four other leading securities companies as well as a foreign fund advisor that won the right to launch Thailand's first equity exchange traded fund (Equity ETF) with the name of ThaiDEX SET50 ETF or "TDEX" since 2007. The Company acts as Market Maker (MM), providing liquidity in the secondary market and as Participating Dealer (PD) facilitating the creation and redemption of TDEX in the primary market.

In 2009, the Company joined a group led by One Asset Management Limited (the Company's subsidiary) and five other leading securities companies to launch Thailand's third equity ETF ThaiDEX FTSE SET Large Cap ETF or "TFTSE".

Later, in 2010, the Company acted as Participating Dealer (PD) for Thailand's first ETF on foreign ETF in the name of W.I.S.E. KTAM-CSI300 China Tracker or "CHINA" which may invest in W.I.S.E. – CSI300 China Tracker fund, seeking to replicate the return of CSI300 Index.

In 2011, with SET Index closing at a 15-year high, the Company coordinated with One Asset Management Limited (the Company's subsidiary) to launch ThaiDEX SET High Dividend ETF or "1DIV". The Company acted both as Market Maker (MM) and Participating Dealer (PD). Within the same year, TFEX trading volume reached a historical high, particularly in Gold Futures trading; therefore, the Company joined and acted as Participating Dealer (PD) for three gold ETFs – "GLD", "GOLD99" and "BCHAY".

In 2012, the Company coordinated to launch Hong Kong ETF Tracker or "HK". The Company acted both as Market Maker (MM) and Participating Dealer (PD).

In 2013, the Company coordinated with One Asset Management Limited (the Company's subsidiary) to launch ThaiDEX SET100 ETF or "TH100" to meet client needs. The Company acted as Market Maker (MM) for ThaiDex SET100 ETF.

The Company has focused on expanding its client base and awareness of ETFs through investor education which ranged from basic education up to advance ETF investment strategy in order to be one of their choices of investment to gain a return of the market. In addition, the Company continued improving its internal trading systems to improve market making efficiency.

ETF that the Company acts as Market Maker ("MM") and/or providing liquidity in the secondary market and as Participating Dealer ("PD")

ETF	Code	Underlyig Index	SET's Listed Date	The Company's role	AUM (Baht Million) As at 31 th Dec 17
1. ThaiDEX SET50 ETF	TDEX	SET50 index	6 th Sep 2007	MM, PD	2,656.24
2. W.I.S.E. KTAM CSI 300 China Tracker	CHINA	W.I.S.E. -CSI 300 China Tracker	22 nd Nov 2010	PD	149.24
3. KTAM Gold ETF Tracker	GLD	SPDR Gold Trust (2840:HK)	8 th Aug 2011	PD	315.99
4. ThaiDEX SET High Dividend ETF	1DIV	SET High Dividend 30 Index	16 th Aug 2011	MM, PD	61.69
5. ThaiDEX SET100 ETF	TH100	SET100 index	21 st Feb 2013	MM, PD	15.71
6. KTAM SET50 ETF Tracker	ESET50	SET50 index	26 th Mar 2014	MM, PD	19.31

2.1.13 Derivative Warrants Business

Derivative Warrants ("DWs"), are financial instruments that give rights to the buyers to buy or sell the underlying securities in the future at a pre-determined price, quantity and period as specified by the issuers. A DW issuer is a third party, which is not the listed company issuing the underlying securities.

In 2009, the Company was the first securities company in Thailand to launch DWs. The first DW to be launched by the Company was PTT13CA in June 2009. Within the same year, the Company launched another two DWs - KBAN13CA and PTTE13CA. The Company remains a leader in the Derivative Warrants business. In 2017, the Company launched 297 DWs which received a great response from investors. From 2009 to the end of 2017, the Company has launched a total of 1,350 DWs as detailed below;

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Total DWs issued by the Company	3	21	114	105	121	205	236	248	297	1,350
-CALL Warrant	3	21	87	73	96	163	178	194	250	1,065
-PUT Warrant	-	-	27	32	25	42	58	54	47	285

The Company and the underlying companies of the DW that the Company has issued are not related either in terms of capital structure or management. The Company is not an insider of any of the underlying companies for which it has issued DW.

In 2018, the Company plans to launch around 300 DWs linked to leading stocks, and plans to launch DWs with new underlying securities as approved by regulators.

The Extraordinary General Meeting of Shareholders of the Company No. 1/2018, held on 24th January 2018, has approved an increase of the maximum outstanding issue size of all DWs issued by the

Company, at any time, from “not exceeding Baht 2,000 million” to “not exceeding Baht 5,000 million”. Details as follows:

- a) an immediately approved an increase of the maximum outstanding issue size of all DWs issued by the Company, at any time, from “not exceeding Baht 2,000 million” to “not exceeding Baht 3,000 million”; and
- b) to authorized the Board of Directors to consider and approve, in future, up to the limit of Baht 5,000 million, further increases of the maximum outstanding issue size of all DWs issued by the Company, at any time.

While investing in DWs becomes well known among investors, the Company consistently educate investors to ensure their understanding of risk and product features. The DW education is provided through many channels such as www.thaiwarrant.com (both Thai & English version), Facebook (www.facebook.com/ThaiwarrantDW13), Line Official Account (Line ID: @DW13), newspapers, interviews and print media. For investors who are interested in DW, all information is provided through www.thaiwarrant.com. (see Underlying company information of the remaining DWs and history of DWs issued by the Company for the past 2 years in Attachment 5)

2.1.14 Asset Management Business (One Asset Management Limited: ONEAM)

In 2017, ONEAM's net profits were Baht 129 million (EPS of Baht 12.33) As at 31st December 2017, ONEAM's total assets were Baht 510 million, total liabilities were 99 million, shareholders' equity was Baht 411 million. ONEAM has built a strong reputation with both individual and institutional investors.

In 2017, ONEAM received Best Mutual Fund of the Year 2017 - Equity Large (1AMSET50) from Money & Banking Awards 2017. As at 31st December 2017, ONEAM had total assets under management of Baht 98.51 billion. In 2017, ONEAM issued 8 new funds as follows:

	FUND	Registered date	AUM-Baht Million as at 31 Dec 2017
1	ONE-FIXED	1 February 2017	3,320.51
2	ONE-POWER	27 February 2017	211.92
3	ONE-GUS	14 March 2017	96.41
4	ONE-FIN3Y2	23 May 2017	291.86
5	ONE-APACPROP	13 June 2017	70.46
6	ONE-ENHANCED3M3	28 June 2017	284.25
7	ONE-GLOBHY	15 November 2017	824.43
8	ONE-TOP5M	19 December 2017	200.43
	Total		5,300.27

2.2 MARKET OVERVIEW AND COMPETITION

(A) Significant Marketing Activities

The Company's marketing policy in 2017

The Company's marketing policy is to maintain existing clients and acquire new clients by organizing promotional activities and focusing on giving better service to clients. In 2017, the Company held the following marketing activities:

1. The Company regularly arranges training to enhance the knowledge and skills of its employees. This helps the employees better meet the needs of its clients.
2. The Company regularly develops its trading system to make it fast and efficient and able to support growth of business. In 2017, the Company launched "KGI POWER TRADE HD", a tablet version which the company developed for clients to use on both Android and iOS systems. It incorporates and supports fast trading of both securities and derivatives.
3. The Company joined the exhibition with SET at TFEX Trader Day 2017 on 18th February 2017, SET in the City Bangkok 2017 @ Paragon; Exhibition# 1 during 23rd – 26th March 2017 and Exhibition# 2 during 16th – 19th November 2017 and SET Digital Investment Day during 2nd – 3rd September 2017 to introduce the Company's product and services.
4. The Company held seminars to educate clients and investors on topics such as Internet Trading, Securities Fundamental-Technical Analysis and TFEX. The seminars not only educated the clients and investors, they also expanded the Company's client base. In 2017, the Company held the following seminars to educate clients:

January 2017	Topic "Trading Tip for taking profit by KGI Auto Trade"
February 2017	Topic "Market Overview On Q1/2017 and Auto Trade Function "
March 2017	Topic "How to use KGI POWER TRADE"
April 2017	Topic "How to use KGI POWER TRADE"
May 2017	Topic "How to use KGI POWER TRADE"
June 2017	Topic "Thai Market Trend Q3 and How to use KGI POWER TRADE"
August 2017	Topic "Growth Stock and Power Trade "Auto Trade" Function"
September 2017	Topic "Power Trade "Auto Trade Function" And Basic Technical by Aspen"
October 2017	Topic "Power Trade "Auto Trade" Function And Efin Stock Pick Up by Efinance Thai"
November 2017	Topic "Trading Tip for taking profit by KGI Auto Trade"

5. Launched marketing campaign. In 2017, the Company launched the marketing campaign "Trade for What? DW13" giving participants the chance to win 200,000 Baht. The purpose of this campaign was to give clients a better understanding of Derivative Warrant trading.

Character of Clients, Target Client, Portion of Local and Foreign Clients

The Company targets clients who have capital and want to invest in financial products in equities, fixed income and derivatives. This can be a natural person or juristic person.

In 2017, the Company's Trading Volume consisted 10% Local corporate clients, 50% Local retail clients, 1% foreign clients and 39% the Company's portfolio, the Company did not depend on any client for more than 30% of total income.

The Company has its headquarters and 17 branches throughout the country to provide service to clients, clients can send orders via phone through the Company's Investment Consultants or trade by themselves through the internet. In 2017, the portion of trading via Investment Consultants: trading via internet was 34%: 66%.

Information of the Company's clients in past 3 years

Unit : Baht Millions

Average Daily Trading Volume	2017	%	2016	%	2015	%
Daily Trading Volume- SET*	50,114		52,526		44,302	
Daily Trading Volume- The Company *	4,788		5,360		4,466	
(including the Company's portfolio)						
The Company's market share %	3.27%		3.76%		3.88%	
(excluding the Company's portfolio)						
Ranking	13		10		9	
Breakdown by types of clients						
1) Local corporate clients	462	10	435	8	380	9
2) Local retail clients	2,423	50	3,060	57	2,702	61
3) Foreign clients	43	1	42	1	34	1
Total	2,928	61	3,537	66	3,116	70
4) The Company's portfolio	1,860	39	1,823	34	1,350	30
Total	4,788	100	5,360	100	4,466	100
Breakdown by types of accounts						
1) Cash Account and Cash Balance Account	2,235	76	2,856	81	2,575	83
2) Credit balance account	693	24	681	19	541	17
Total	2,928	100	3,537	100	3,116	100
Breakdown by types of trading order channels						
1) Trading via Investment Consultants	992	34	1,114	31	1,012	32
2) Trading via internet trading	1,936	66	2,423	69	2,104	68
Total	2,928	100	3,537	100	3,116	100

Note : * Trading volume referred to volume in both SET and MAI

(B) Market Overview and Competition in 2017

The Thai stock market posted a strong performance in 2017, extending a solid gain from 2016 and offering double-digit annual gains for two consecutive years. However, the pattern of stock market last year was quite unique. During January to August 2017, the market moved in a tight range and largely under-performed global stock markets. The market began to rally in September 2017, triggered by a clear sign on Thai economic recovery and rising investors' expectation for the new general election in 2018. Those factors led to strong buying from local investors, which drove the market rally despite continued foreign equity outflows during the year 2017.

During the first half of 2017, the benchmark SET Index consolidated in a tight range. Market performance was considered largely lagging other key stock markets in the US and also North Asia, where stocks rallied strongly in response of US macro factors like its GDP acceleration, smooth transition of US monetary policy and possibly most important the market expectation for US tax cut bill. On the Thailand side, economic growth remained subdued in the first half of 2017, while the key economic activities investors put an emphasis on, like the infrastructure projects and new private investment, remained relatively soft.

The SET Index strengthened in the late of August 2017, after Thai GDP for 2Q17 was much stronger than market expectation, growing 3.7% YoY while market expected only 3.0% growth. That was the first sign of economic optimism and market belief that new round of GDP acceleration has started. Apart from the economic news, political news flow turned more positive in the latter half of 2017. Prime Minister General Prayuth Chan-ocha mentioned to the press that he will adhere to political roadmap that the Thai general election will take place in November 2018. His comment eased investors' concern about delayed election and drove more confidence into the local stock market.

The Thai stocks extended their positive momentum into 4Q2017, supported by both external and internal factors. On the external side, global economic indicators on most regions continued to show strong growth, which proved to be positive to Thailand's exports despite ongoing strong baht. Meanwhile, the transition of key central bankers in the US was also smooth and alleviated concerns about any policy

shock. On the internal side, Thai GDP continued to accelerate; 3Q17 GDP, released in November 2017, grew an impressive 4.3% YoY, leading further upgrade in Thai GDP forecasts for both 2017 and 2018. Meanwhile, during mid of November to early of December 2017, the Thai government also launched the consumption stimulus packaged popularly called as 'shopping for Thailand', allowing Thai people to use the spending receipt of up to Baht15,000 per person to deduct the personal income tax.

For the whole 2017, the SET Index extended its strong rally of 13.66% to close the year at 1,753.71pts. The daily average market turnover (both SET and MAI) stood at Baht 50.11 billion, decreasing by 4.6% from Baht 52.53 billion in 2016. Foreign investors reported a moderate net selling position of Baht 25.8 billion in 2017, compared to a foreign net buying of Baht 77.9 billion during 2016. The market capitalization increased to Baht 17.59 trillion at the end of 2017, rising by 16.6% from Baht 15.08 trillion at the end of 2016.

Stock Exchange of Thailand

	2017	2016	2015
Total trading value (Baht million)*	12,227,748	12,816,259	10,765,470
Average daily trading value (Baht million)*	50,114	52,526	44,302
Total market capitalization (Baht million)	17,587,433	15,079,272	12,282,755
SET Index (year-end)	1,753.71	1,542.94	1,288.02
Dividend Yield (%)	2.7	3.0	3.4
P/E ratio (times)	19.1	18.6	22.6
P/BV ratio (times)	2.1	2.0	1.7
No. of listed companies	538	522	517

* including MAI

Regarding the new listings into the stock market, there were 39 new companies listed in Thailand's stock markets (both SET and MAI) in 2017, compared to 23 new listings in 2016. As the stock market conditions in the second half of 2017 were much stronger than first half, IPO flows improved accordingly. As highlighted in the table below, most of the IPOs last year took place after August 2017, when the Thai stock market started its rally phase.

IPO Stocks in 2017 (both SET and MAI): 39 new companies in total

Stock	First trading date	IPO size (Baht million)
SE	14 Feb 17	147.00
ETE	15 Feb 17	588.00
MGT	23 Feb 17	189.00
RPH	27 Feb 17	786.14
ASAP	30 Mar 17	636.30
D	3 Apr 17	300.00
TPIPP	5 Apr 17	17,500.00
WHAUP	10 Apr 17	3,281.25
MM	11 Apr 17	1,107.64
GGC	2 May 17	2,762.67
BGRIM	19 Jul 17	10,428.80
FTE	27 Jul 17	442.50
INGRS	9 Aug 17	347.88
ZIGA	17 Aug 17	472.00
III	1 Sep 17	789.60
PRM	14 Sep 17	4,000.00
ICN	15 Sep 17	220.80
SKN	26 Sep 17	1,470.00
SSP	27 Sep 17	1,773.89
WPH	3 Oct 17	585.00
CRD	5 Oct 17	216.00

Stock	First trading date	IPO size (Baht million)
TOA	10 Oct 17	6,096.00
TFMAMA	18 Oct 17	N/A
FLOYD	1 Nov 17	252.00
TITLE	2 Nov 17	264.00
ADB	9 Nov 17	304.20
RSP	10 Nov 17	1,160.00
SKE	22 Nov 17	426.96
THMUI	23 Nov 17	247.53
PORT	23 Nov 17	540.00
JKN	30 Nov 17	1,120.00
GPI	1 Dec 17	350.00
GULF	6 Dec 17	23,998.50
THG	7 Dec 17	3,230.00
HUMAN	8 Dec 17	720.00
CPT	20 Dec 17	621.00
VCOM	21 Dec 17	230.40
DDD	26 Dec 17	4,028.00
SUN	28 Dec 17	760.50

Source: SET and MAI

Competition among Thai Broker

Competition among Thai brokerage businesses remained intense, similar to the past few years. Although the daily average market turnover stayed high, above Baht 50.0 billion in 2017, the liberalization of commission rates and, more recently, the introduction of computerized trading systems, resulted in high degree of industry competition, from both domestic side and international brokers. Meanwhile, for 2017, the sum of the market share of the top 10 brokers was 48.55%, while the rest 51.45% of the pie were shared by non-top 10 brokers.

Top 10 securities broker of the Year 2017

Rank	Company Name	Name	Market Shares (%)
1	MAYBANK KIM ENG SECURITIES (THAILAND) PUBLIC COMPANY LIMITED	MBKET	6.83
2	DBS VICKERS SECURITIES (THAILAND) LIMITED	DBSV	6.48
3	CIMB SECURITIES COMPANY LIMITED	CIMBS	5.48
4	FINANSIA SYRUS SECURITIES PUBLIC COMPANY LIMITED	FSS	5.00
5	PHATRA SECURITIES PUBLIC COMPANY LIMITED	PHATRA	4.69
6	BUALUANG SECURITIES PUBLIC COMPANY LIMITED	BLS	4.67
7	SCB SECURITIES PUBLIC COMPANY LIMITED	SCBS	4.10
8	CLSA SECURITIES (THAILAND) LIMITED	CLSA	3.81
9	THANACHART SECURITIES PUBLIC COMPANY LIMITED	TNS	3.78
10	KASIKORN SECURITIES PUBLIC COMPANY LIMITED	KS	3.71
TOP 10 BROKERS			48.55
OTHERS			51.45
Total			100.00

*including MAI

Industry Trend in 2018

After the Thai stock market offered a double-digit price increase per year during the past two years (2016-2017), the market volatility is expected to rise in 2018 as the market valuations look higher. However, we view that major trend of the stock market remains upward, supported by stronger economic conditions, accelerated earnings growth and most importantly strong foreign equity inflows. Meanwhile, competition

in the industry should remain high, as always, shaped by continued liberalization of commission rates and also the coming of computerized trading system.

2.3 Capital Management Policy

Fund Management policy

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net capital in accordance with the rules laid down by the SEC.

If the Company requires new funds, its policy is to try to procure the cheapest source of funds available, and to match the duration of any loan to its needs. As far as possible, the Company will not depend upon one source of funds. The Company analyzes its cash flow needs on a daily basis and tries to match its funding and investment in money market instruments to its needs as forecast.

The Company has a policy to maintain a Net Liquid Capital and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Liquid Capital must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees.

Investment Policy

The Board of Directors has approved an Investment Policy of Proprietary Trading, to comply with the SEC notification regarding the conditions and Procedures of the investment for Proprietary Trading. The key points of the policy are as follows:

1. The Risk Management Committee will approve the risk limit for the Company's proprietary trading teams at least once a year. The risk limit defines an acceptable level of loss (Stop Loss Limit) and the maximum acceptable value of investments (Position Limit) and will be reviewed regularly to ensure that the limits are suitable to market conditions.
2. The Company's proprietary trading teams are responsible for securities selection and investment allocation. An investment in new products requires the Risk Management Committee's approval.
3. The Company's proprietary trading team members must have appropriate licenses and qualifications to comply with SEC notifications.
4. The Risk Management Committee uses a variety of tools to implement comprehensive measurement and analysis of market risk. For example, Value-at-Risk is used to measure the potential loss on an investment given a certain time horizon and level of probability, and stress testing is implemented to evaluate the robustness of a Company under different stress scenarios. If Net Capital Ratio decreases significantly, the Risk Management Department will report to the Risk Management Committee immediately.
5. The Company has assigned the Legal & Compliance Department and the Audit Department to supervise and ensure that the Company's proprietary trading complies with the Company's policy.
6. Risk Management Department will report a Market Risk Summary Report to the Chief Operating Officer, and either the Head of Proprietary Trading Department, or the Head of Fixed Income Department as the case may be on a daily basis.

Credit Balance Policy

A Credit Balance account is used by investors who want to borrow money to buy securities; or to borrow securities for short selling. Prior to the buying of securities or short selling, the investor needs to create purchasing power by depositing cash or pledging securities as collateral. The Company will mark to market the valuation and the purchasing power of the investor will vary following the changing value of securities.

The Company specified that clients who want to open Credit Balance Account ("Margin Account") shall disclose to its Investment Consultant adequate personal information representing their proper debt payment ability. After the Company has approved the opening of any Margin Account, such client shall sign the related Loan Agreement for Securities Trading to acknowledge the terms and conditions and risks in relation to the Margin Account. The Company's Credit Balance Policy is as follows:

1. The Company will not lend for securities trading to any person which the Company knows or should know that such person is a nominee.

2. Before serving any services to the client, the Company shall collect and evaluate client's information for the following purpose;

- 2.1 Know Your Client & Client Due Diligence: KYC / CDD

- 2.2 Evaluate the suitable and acceptable risk level for its loan for securities trading through a Suitability Test

In compliance with the regulation issued by the Office of SEC, in case where i) the Client does not cooperate or refuses to provide any information, or ii) the existing information is inadequate or not up to date, the Company reserves its right to suspend or deny all services provided or will provide to the Client.

3. The Company has set out the Marginable Securities list. In this regard, the Company has considered the qualification of any securities such as liquidity, good fundamental, price volatility and relevant risk, etc. In addition, the Company will review the Marginable Securities list every month or when any significant market change in the marginable lists occurs and give notification to the Client as the Company deems appropriate on the Company's website.
4. The Company has imposed the Initial Margin Rate for all marginable securities and requirement for the Client to deposit cash or assets as their collateral before trading. In addition, the Company has set the Call Margin Rate and Force Sale Rate which is not lower than the rates prescribed by the SET and complies with the Company's internal regulations. The Company will require the Clients to add more collateral or force sale their securities when the collateral is less than the required rate.
5. The Company has imposed interest which shall be i) charged from the loan for securities trading or ii) paid from the cash which the client has deposited as collateral in the Margin Account, which complies with the regulation prescribed by the Office of SEC and/or the Company.
6. All cash, including benefit/return deposited with the Company, shall not be subject to the protection of the Financial Institutions Development Fund.

3. Risk Factors

3.1 Company's Business Risks

3.1.1 Risk Associated with Government policy, Rules and Regulations and Related Laws

Changes in government policies, rules and regulations and related laws, such as changes in interest rates, changes in regulations and guidelines, changes in commission rates, and other changes may affect the Company's operations.

The Company manages this risk by closely monitoring changes in the policies of regulators. The Company will attend meetings to share its opinions with the regulators.

The Legal & Compliance Department will notify employees of such changes, and advise them how to adjust their operational procedures in accordance with such changes.

3.1.2 Risk from Dependence on Major Client

In 2017, the Company did not depend on income from any one client for more than 30% of total income. The Company is concerned about the risk of dependence on major clients, so it continuously plans to expand its client base both in retail and institutional and local and foreign. One way is by developing the internet trading system to increase the number of internet trading clients.

3.1.3 Risk Associated with Human Resource

Human resource is a key factor for securities businesses. Losing a key member of the staff may affect the business of the Company.

In order to protect against such risk, the Company provides continuous training to enhance human resource development in terms of potential and expertise to better serve clients. To create career paths for the Company's staff, the Company has a clear policy with proper compensation in accordance with current market conditions and competition. Lastly, the Company's management team is focused on building good relationships within the organization leading to good cooperation and a better and safe working environment.

3.1.4 Risk of Renewal of Premise Leasing Contract

Currently, the Company has leased the premise for its business operation either in head office or 16 branches for certain periods in many leasing contracts (except Supanburi Branch which the land and building belong to the Company). Therefore, the risk of contract renewal exists as well as the chance that rental fee will be adjusted by the lesser. However, most of the leasing contracts grant the Company the right to renew the leasing contract as long as the company complies with terms and conditions in the contract. The company has performed its duties under the leasing contracts as a good lessee and often gets renewal from the lessor. Considering rental fee adjustment which may affect the cost of business operations, it is accepted by the company due to the consistency with market rate. Therefore, the Company believes that provisions contained in the current premise leasing contracts will not give rise to a significant risk to the Company.

3.1.5 Market Risk

Market risk refers to the risk that fluctuations in market trading volumes, share prices, and interest rates will directly impact the Company's revenues or the value of the Company's financial assets and liabilities at present and in the future. Factors causing volatility in market trading volumes and interest rates include political developments, the economic outlook, and domestic and investor sentiment, both domestically and internationally.

A variety of tools are used to implement comprehensive measurement and analysis of market risk. For example, Value-at-Risk is used to measure the potential loss on investment given a certain time horizon and level of probability, and stress testing is implemented to evaluate the robustness of the Company in any given stress scenarios. These analytical tools provide a picture of the Company's potential future losses. Moreover, the Company assesses and manages the potential losses resulting from market losses by setting stop loss limits and position limits that are appropriate to current market conditions.

3.1.6 Risk from Competition in Securities Broker Business

The securities broker business is highly competitive, especially as SET changed its policy on brokerage commissions to a cascade calculation. The commission will vary based on trading volume. Also, the brokerage commission fee is fully negotiable between brokers and members since January 2012. If the Company is unable to maintain a high quality of service compared to other brokers, it may lose market share. Therefore, the Company has a strategic policy to continually enhance the efficiency of its staff in giving advice and service to clients, including technology development to support new products. The Company is also developing its research and expanding into new businesses to give more convenience to clients and offer investment alternatives.

3.1.7 Credit/Default Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations, resulting in a financial loss to the Company and its subsidiary companies.

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables, loans and other accounts receivable. The Company controls such risk by establishing credit limits for clients and counter parties and analyzing their financial position on an ongoing basis. The Company is not expected to have much concentration risk of credit exposure because it has a variety of client base and large number of clients.

The maximum exposure to credit risk is limited to the carrying amount of securities and derivatives business receivables, loans, and other receivables as stated in the statements of financial position.

3.1.8 Risk from Securities Investment and Return

Risk from securities investment and return is the risk that the Company may not get the return from investment it expects.

The Company has assigned its Risk Management Committee to set strict guidelines and policies regarding asset allocation, portfolio limits and risk control in order to manage risk of losses due to market volatility and controlling risk limit on a daily basis. The Risk Management Committee will review these on a regular basis to be consistent with market conditions.

3.1.9 Risk from Investment in Subsidiaries

This type of risk may arise if the subsidiaries incur losses which have an effect on the Company's performance. The Company appoints persons to be directors for setting the management policies of its subsidiaries.

3.1.10 Risk from Investment Banking Business

In operating an investment banking business, for the underwriting business, there is risk of losses from unsubscribed securities that must be transferred to the Company's portfolio. Inappropriate size or pricing of issues, unexpected fluctuations in the stock market, interest rates or foreign exchange rates can cause investors to not subscribe to such securities. To reduce such risk, the Company studies and analyzes information regarding the issuer and the interest of clients or investors. In the financial advisory business, the Company always studies clients carefully and conducts due diligence before entering deals. The Company also set up the Investment Banking Sub-Committee to be responsible for approving underwriting deals and other investment banking businesses.

3.1.11 Risk Associated with Derivatives Products

Having taken into consideration various risks involved in derivatives, the Company has approved the Equity Derivatives Department to sell derivative products to clients. However, the Risk Management Committee has to approve the "Product Program" first before the Equity Derivatives Department can issue derivatives to clients. The focus of the Product Program include:

- 1) Characteristics of securities, services, and target clients;
- 2) Risk management policies such as control of position risk (Var, Delta, and DV01) setting acceptable stop loss level and other risk policies depending on attributes of securities and services offered to clients; and
- 3) Internal operational procedures (Work Flow) including internal control.

The Company was the first securities company to launch Derivatives Warrants. The Company has a strict policy to control and monitor associated risk closely. The Risk Management Department monitors the Company's exposure on a daily basis to ensure compliance with the approved risk policies. The Company is therefore confident that it has put in place a system for limiting risks associated with derivatives to an acceptable minimal level.

3.1.12 Risk Associated with Information Technology

Information technology risk associated with technological limitations including ability to support large transactions and product variability plus operational system, backup and information security.

Much of the Company's business is conducted using various computer or communications networks. In the event these systems or networks are disrupted or unavailable the Company's operations would be affected. Examples of such disruptions include external network or system outages affecting market trading activities, and internal system outages affecting communication or data management.

The Company foresees the importance of information technology in operating business, so it is always developing systems to support new product and various types of transactions. Also, the Company has set up an emergency plan and disaster recovery plan for each of its main systems.

3.1.13 Risk Associated with Fraud

Fraud is a risk that can occur from employee, clients and the counter party. The Company maintains close multiple operational and financial monitoring and controls to ensure that transactions, both on behalf of clients and for the Company, are performed correctly. However, the Company may be at risk of fraud. This includes failure of the Company's monitoring systems to detect fraud. The Board has approved the Policies and Guidelines to prevent and combat corruption by the Company and the Procedures regarding the Anti-Corruption policy. The Board also set clear procedures on whistle blowing for related parties or stakeholders and ensure the Company has protective measures to keep the whistleblowers' names confidential.

3.1.14 Risk Associated with Business Disruption

Major business disruption events beyond the control of the Company may affect its level of business operations. Examples of such events include natural disasters such as the political unrest in 2010 or the major flooding in 2011.

To prevent the risk of natural disasters and other emergencies, The Company has set up the Business Continuity Management Policy (BCM) and prepared the Business Continuity Plan (BCP) which requires testing at least once a year.

3.2 Financial Risk**3.2.1 Liquidity Risk**

Liquidity risk is the risk that the Company and its subsidiaries will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

The Company has procedure and process to monitor, follow and control liquidity risk. For example, when the Company is launching a new product, it assesses the impact on its liquid capital by estimating its net capital ratio after the product is launched using a stress test technique, and takes this information into consideration in determining the appropriate size of the product issue.

The Company has a policy to maintain a Net Liquid Capital and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Liquid Capital must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees. As at 31st December 2017, the Company has a Net Liquid Capital of Baht 4,157 million and a Net Capital Ratio of 43% of liabilities and guarantees.

3.2.2 Foreign Exchange Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at 31st December 2017, the Company has investments in subsidiaries in foreign currency under cost method of USD 59.4 million (equivalent to Baht 2,383 million). However, the Company also has obtained Thai Baht loans from those subsidiaries totaling Baht 1,936.5 million.

As at 31st December 2017, the Company and its subsidiaries have not entered into any forward exchange contracts to manage its foreign exchange risk.

3.2.3 Interest Rate Risk

Interest rate risk is the risk that future fluctuations in market interest rates will affect the operating result and cash flows of the Company and subsidiary companies.

The exposure to interest rate risk of the Company and its subsidiary companies relates primarily to their deposits at financial institutions, securities purchased under resale agreements, securities and derivative business receivable - credit balance accounts, long-term investments in debt securities and debt issued and borrowings. However, as most of the financial assets and liabilities carry floating interest rate which fluctuates in line with the market interest rates or carry fixed interest rate which approximates to the current market interest rate, the Company and its subsidiary companies do not use derivatives to manage their interest rate risk.

3.3 Risk Affecting the Rights of Shareholders**3.3.1 Risk From Having Major Shareholder**

The Company's major shareholder is KGI Asia (Holdings) Pte. Ltd., which holds shares 34.97% of total issued shares. KGI Asia (Holdings) Pte. Ltd. is an investment holding company incorporated under the laws of Singapore. The ultimate parent of the Group is China Development Financial Holding Corporation, which is a financial holding company incorporated under the laws of Taiwan. A major shareholder may exercise greater influence over the Company's management and business policies.

However, if a major shareholder wishes to hold more than 50% of the Company, it still needs to seek approval from relevant government agencies.

Currently, there are 4 independent directors from a total of 12 directors or equal to 33%. They are responsible for good corporate governance to ensure that the quality of management is effective, transparent and fair for all shareholders.

3.3.2 Risk from Having a Non-Voting Depository Receipts (NVDRs)

Since NVDRs holders have no voting rights, this effectively leads to a decrease in the number of voting shares. As a result, major shareholders may have an increased level of control over the Company. As at 6th February 2018, investors had bought 186,573,358 NVDRs shares (equivalent to 9.37% of paid-up capital).

3.3.3 Risk Associated with Low Free Float Stock or Low Trading Liquidity

As at 10th March 2017, 65% of KGI stock was held by minority shareholders, which makes trading liquidity high and this means less risk that investors would be unable to trade at a desired price.

4. Assets used for business

4.1 Fixed assets of the Company and its subsidiaries

A. Assets used in the Company's business are as follows:

Description (As at December 31 st 2017)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Land (Supanburi branch)	1,820	Company's asset	None
Building (Supanburi branch)	-	Company's asset	None
Equipment	69,909	Company's asset	None
Furniture and fixtures	4,159	Company's asset	None
Vehicles	-	Company's asset	None
Installation in progress	10,815	Company's asset	None
Total	86,703		

B. Assets used in subsidiaries' business are as follows:

Description (As at December 31 st 2017)	Net book value (Thousand Baht)	Ownership	Collateral/obligation
Building improvements	6,518	Subsidiary's asset	None
Equipment	6,978	Subsidiary's asset	None
Furniture and fixtures	1,673	Subsidiary's asset	None
Vehicles	3,162	Subsidiary's asset	None
Installation in progress	2,683	Subsidiary's asset	None
Total	21,014		

4.2 Rental property

A. The Company rents the following space to operate business at its head office and branches.

Rental Property	Lessor	Remaining period of lease as at 31 st December 2017
1. Head office	City Realty Co.,Ltd.	3 years 1 month
2. Hat Yai branch	Lee Gardens Hotel Co., Ltd.	2 years
3. Nakhon Ratchasima branch	K.R.Shopping Center Co.,Ltd.	11 months
4. Samut Sakhon branch	A.T. Asset Co., Ltd.	1 year 6 months
5. Nakhon Sawan branch	Individual	2 years 8 months
6. Pinklao branch	CPN Retail Growth Leasehold Real Estate Investment Trust	1 year 10 months
7. Nakhon Pathom branch	Individual	2 years 6 months
8. Chiang Rai branch	Individual	6 months
9. Phetchaburi branch	Individual	3 years

Rental Property	Lessor	Remaining period of lease as at 31 st December 2017
10. Udon Thani branch	Individual	2 years 3 months
11. Changwattana branch	Na-Nakorn Estate Co.,Ltd.	6 months
12. Thaniya branch	Thaniya Real Estate Co.,Ltd	5 months
13. Silom Complex branch	Silom Building and Service Co., Ltd.	1 year 5 months
14. Pracha Chuen branch	Individual	8 months
15. Udon Thani Cyber branch	Fairy Bridge Holdings Co., Ltd.	4 months
16. Chiang Mai	EAK999 Co.,Ltd.	2 years 2 months

B. One Asset Management Limited rents the following space to operate business at its head office.

Rental Property	Lessor	Remaining period of lease as at 31 st December 2017
Head office	Siam Piwat Co.,Ltd.	1 year 11 months

4.3 Intangible Assets and Goodwill

As at 31st December 2017, the Company's intangible assets were Baht 73 million (comprising computer software which has useful lives for 5 and 7 years of Baht 58 million and Computer software under development of Baht 15 million). The Company's goodwill was Baht 27 million.

Intangible assets are carried at cost less any accumulated amortisation and allowance for impairment (if any). Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss from operation.

Goodwill is initially recorded at cost, which equals to the excess of the cost of the business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired, exceeds the cost of business combination, such excess is immediately recognised as revenue in profit or loss from operation.

For subsequent measurement, goodwill is carried at cost less allowance for impairment. Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired.

4.4 Investment Policy in Subsidiary Companies

The Company is focused on investing in businesses that support the Company's business. Currently, the Company invests in an asset management company to meet the diverse financial requirements of our clients and invests in 2 offshore companies. As at 31st December 2017, the Company's investment in subsidiary companies was Baht 2,602 million. (See details of investments in subsidiaries in Note to Financial Statements no.12)

5. Legal Cases

As at 31st December 2017, the Company and its subsidiaries had no litigation as follows:

- which might have a potential negative impact in excess of 5% of the shareholders' equity per its consolidated financial statements as at the latest accounting period;
- which may significantly affect the Company or its subsidiaries which impact cannot yet quantified;
- which arises other than from the Company's normal business.

6. General information and Other relevant information

6.1 General information

(1) Information of KGI Securities (Thailand) Public Company Limited

Business Type	Securities businesses
Head office address	No.173 Asia Centre Building, 8 th - 11 th Floor, South Sathorn Road, Thungmahamek Sub-District, Sathorn District, Bangkok 10120 Thailand
Company's PCL registration number	No. 0107536000293
Telephone number	66 (0) 2658 8888
Fax number	66 (0) 2658 8000
Website	www.kgiworld.co.th and www.thaiwarrant.com
Paid up capital	Baht 1,991,763,130
No. of paid-up shares	1,991,763,130 ordinary shares
Par Value	Baht 1.00 per share
	<u>Investor Relation</u>
	- Institutional Investors
	Mr. Mark Antony Hodge
	Senior Vice President, COO Office
	Email: markh@kgi.co.th
	Tel: 0 2658 8885
	- Retail Investors
	Ms. Nongluk Ningsanond
	Company Secretary
	Email: nonglukn@kgi.co.th
	Tel: 0 2658 8880-1

(2) Information of companies that the Company holds more than 10% shareholding

One Asset Management Limited ("ONEAM")

% of holding by the Company	99%
Business Type	Fund Management
Address	No. 989, the 9 th and 24 th floors of Siampiwat Tower Building, Rama I Road, Patumwan Sub-district, Patumwan District, Bangkok 10330, Thailand
Telephone number	66 (0) 2659 8888
Fax number	66 (0) 2659 8860
Website	www.one-asset.com
Amount and Type of paid-up shares	Paid-up 10,500,000 ordinary shares at par value Baht 10.00

KGI Securities (Thailand) International Holdings Limited ("HOLDCO")

% of holding by the Company	100%
Business Type	Investment
Address	41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Telephone number	(852) 2878 6888
Fax number	(852) 2878 6800
Amount and Type of paid-up shares	Paid-up 39,444,670 ordinary shares at par value US\$ 1.00

KGI (Thailand) Holdings Limited (“KTHL”)

% of holding by the Company	100 %
Business Type	Investment
Address	P.O. Box 3340, Road Town, Tortola, British Virgin Islands
Telephone number	(852) 2878 6888
Fax number	(852) 2878 6800
Amount and Type of paid-up shares	Paid-up 20,000,000 ordinary shares at par value US\$ 1.00

(3) Information of references

<u>Registrar</u>	Thailand Securities Depository Co., Ltd.
Address	The Stock Exchange of Thailand Building, 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand
Telephone number	0 2009-9000
Fax number	0 2009-9991
Website	http://www.set.or.th/tsd
E-mail	SETContactCenter@set.or.th

<u>Auditor</u>	Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd
Address	No. 11/1 , AIA Sathorn Tower , 23 rd - 27 th , South Sathorn Road, Yannawa Sub-district, Sathorn District, Bangkok 10120, Thailand
Telephone number	66 (0) 2034-0000
Fax number	66 (0) 2034-0100
Website	http://www.deloitte.com

6.2 Company Rating

In June 2017, TRIS Rating affirms the company rating of the Company at “A-”. The rating reflects improvement in the stability of the Company’s business and its diversification efforts. In addition, the rating reflects the explicit business support the Company receives from its major shareholder in Taiwan, KGI Securities Co., Ltd. (KGI Group). These strengths helped the Company earn its reputation as a leading creator of innovative products. (See credit rating report by TRIS at www.kgiworld.co.th)

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing credit ratings. The rating ranges from AAA, AA, A, BBB, BB, B, C and D. The AAA is highest rating and D is the lowest rating.

A: The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

Information of the Company rating

Rating Agency	Date	Rating	Outlook
TRIS	23 rd June 2017	A-	Stable
TRIS	27 th July 2016	A-	Stable
TRIS	23 rd July 2015	BBB+	Stable
TRIS	7 th July 2014	BBB+	Stable
TRIS	8 th July 2013	BBB+	Stable
TRIS	29 th June 2012	BBB+	Stable
TRIS	16 th June 2011	BBB+	Stable
TRIS	23 rd June 2010	BBB+	Stable
TRIS	29 th June 2009	BBB+	Stable
TRIS	18 th June 2008	BBB+	Stable
TRIS	6 th July 2007	BBB	Stable
TRIS	5 th July 2006	BBB	Stable
TRIS	3 rd February 2005	BBB	Stable
TRIS	23 rd January 2004	BBB	-
TRIS	6 th March 2003	BBB-	-

6.3 Risk management of derivative warrants issued

- Objective of DW Issuing
To provide new investment products to investors and to diversify the Company's income
- Hedging Strategy and Risk management

2.1 Hedging Strategy

To manage risk from DW issuing, the Company has hedging strategies such as:

a) Hedging Strategy of Underlying Stock Price

For Call Warrant, The Company has higher risk if the underlying stock price increases. The Company may lose from issuing Call Warrant. The Company will hedge by buying the underlying stock in proportion calculated from Net Delta Value. Therefore, the loss from DW issuing will be deducted by profit from the increase in the underlying stock.

For Put Warrant, the Company has higher risk if the underlying stock price decreases. The Company may lose from issuing Put Warrant. The Company will hedge by short selling the underlying stock in proportion calculated from Net Delta Value. Therefore, the loss from DW issuing will be deducted by profit from the short selling on the underlying stock.

b) Hedging Strategy for Volatility of Underlying Stock

For Call and Put Warrant, the Company has higher risk if volatility of the underlying stock increases. The Company may lose from issuing Call or Put Warrant. The Company will hedge through other products such as OTC Derivative, Structured Note, Derivative on related underlying stock or Options on TFEX. Those products may link to other underlying stocks or index that has the same direction with the underlying stock of the DW.

2.2 The Company's Risk Management System

In regards to the Company as the DW issuer, the Company has adopted a risk management framework on an integrated basis to manage risks across the enterprise effectively. The Company appointed the Risk Management Committee which is comprised of representatives of all business units as well as senior operational administrative executives, taking care of the overall risk of the Company. This includes the installation of a system to control and manage the credit and market risk. It also has established a standard operating procedure that was developed to reduce the risk of daily operations.

3. The role of top management in the risk management system

Besides the Risk Management Committee, the Company's Risk Management Department coordinates and facilitates management in implementing the risk management according to the assigned policy, including regularly monitoring and reporting on the risk status to the Company's top management, and continually instilling a risk management culture to executives and employees.

4. Supervision to comply with regulations to maintain position and liquidity of DW issuing

A Net Liquid Capital and A Net Capital Ratio ("NCR")

The Company has a policy to maintain a Net Liquid Capital and a Net Capital Ratio (NCR) that are higher than the requirements under the SEC regulations, which specified that the Net Liquid Capital must be at least Baht 25 million and the Net Capital Ratio must be at least 7% of liabilities and guarantees.

5. DW issued by the Company for the last 2 years and underlying company information (see Attachment 5).

6. Conflict of interest of DW issuing

In the case that the Company or its affiliates have conducted business and/or performed other duties including but not limited to investment advisory, financial advisory and/or proprietary trading in which conflict of interest concerning the issuance of DW might have been caused, for the purpose of fair treatment and the prevention of any investment's advantage/disadvantage gain or lose by the Company and clients, the Company has determined a procedure on prevention of conflict of interest emphasizing insider trading. Under such procedure, any department who performs its duties as investment advisory, financial advisory and proprietary trading will possess equivalent status as that of the normal client will have no right to receive information or research paper which other clients of the Company do not receive.

7. Guarantor of DW and associated contracts of DW Issuer (if any)

- None -

8. Details of the sale of derivative warrants which is fully insured or partially insured.(If any)

- None -